

Message Text

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E.O. 11652: N/A
TAGS: ENRG, OECD
SUBJECT: IEA: GOVERNING BOARD MEETING MARCH 15-16

SECRETARIAT HAS PASSED US AN ADVANCE COPY OF FOLLOWING
CHAIRMAN'S NOTE ON REDUCED DEPENDENCY EXERCISE WHICH WILL
BE PRESENTED TO GOVERNING BOARD MARCH 15:

BEGIN TEXT:

1. THE SLT HAS SUBMITTED ITS REPORT ON THE REVIEW OF
ENERGY PROGRAMS IN THE IEA COUNTRIES (IEA/GB(77)13)
PURSUANT TO THE REQUEST OF THE GOVERNING BOARD AT ITS
MEETING OF 8TH-9TH NOVEMBER, 1976 (IEA/GB(76)53).
2. THE SLT HAS ASSESSED THE PROBABLE ENERGY CONSUMPTION
PATTERN FOR 1985, INCLUDING DEMAND FOR IMPORTED OIL, AND
COMPARED THAT ASSESSMENT WITH PROBABLE ENERGY SUPPLY
INCLUDING AN ASSESSMENT OF THE QUANTITIES OF OIL WHICH
EXPORTING COUNTRIES ARE LIKELY TO MAKE AVAILABLE.
WORLD DEMAND FOR OPEC OIL IN 1985 MIGHT RANGE BETWEEN

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44 AND 49 MILLION BARRELS PER DAY. THE PHYSICAL
PRODUCING CAPACITY OF OPEC COUNTRIES IN 1985 IS
ESTIMATED AT ABOUT 44 MILLION BARRELS PER DAY, BUT THEIR
PREFERRED LEVEL OF PRODUCTION IS ESTIMATED AT ABOUT
35 MILLION BARRELS PER DAY. THIS INDICATES EXTREME
UNCERTAINTY AS TO WHETHER THE IEA COUNTRIES AS A GROUP
WILL HAVE ADEQUATE ENERGY SUPPLIES BY 1985. IN ANY

CASE, THE MARKET FOR OIL WILL BE EXTREMELY TIGHT, WHICH WILL HAVE THE INEVITABLE IMPACT OF PUTTING UPWARD PRESSURE ON OIL PRICES.

3. IEA COUNTRIES FACE THE RISK THAT IF THIS SITUATION PREVAILS, THEY WILL BE UNABLE TO MAINTAIN A SATISFACTORY LEVEL OF CONTINUED ECONOMIC GROWTH, WHICH WOULD HAVE SOCIAL AND POLITICAL CONSEQUENCES. THE RISK IS NOT LIMITED TO ENERGY-POOR COUNTRIES, BECAUSE EVEN THOSE COUNTRIES WHICH HAVE ENOUGH INDIGENOUS RESOURCES TO MEET THEIR OWN NEEDS WOULD INEVITABLY FEEL THE ADVERSE ECONOMIC IMPACTS OF SHORTAGES IN OTHER COUNTRIES.

4. THIS INDICATES THAT A STRONG POLICY RESPONSE IS NECESSARY IN ORDER TO AVOID DEVELOPMENT OF SUPPLY/DEMAND STRUCTURES WHICH WOULD ENDANGER OR EXCLUDE THE ACHIEVEMENT OF OUR LONG-TERM ECONOMIC GOALS. THE QUESTION POSED IS HOW CAN WE COLLECTIVELY INTENSIFY OUR NATIONAL AND INTERNATIONAL EFFORTS TO CHANGE THE SUPPLY/DEMAND STRUCTURES NOW DEVELOPING AS A RESULT OF PRESENTLY APPLIED ENERGY POLICIES. THE OBJECT COULD BE TO ARRIVE AT A SET OF POLITICAL COMMITMENTS WHICH WOULD ESTABLISH DEFINITE POLICY LINES TO GUIDEMEMBER COUNTRIES IN STRENGTHENING THEIR NATIONAL AND INTERNATIONAL ENERGY PROGRAMS AND POLICIES AND TO SERVE AS A MEASURE OF THEIR PROGRESS.

5. AMONG THE QUESTIONS WHICH THE GOVERNING BOARD MIGHT CONSIDER ARE THE FOLLOWING:

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(A) WOULD IT NOT BE NECESSARY TO STRONGLY REINFORCE ENERGY CONSERVATION MEASURES AIMING AT THE ELIMINATION OF WASTEFUL USE OF ENERGY, PARTICULARLY IN THOSE COUNTRIES WHERE CONSIDERABLE SCOPE FOR THIS EXISTS? WOULD THIS NOT INCLUDE, AMONG OTHER THINGS:

- APPROPRIATE ENERGY PRICING (AND TAXATION) POLICIES

- ENFORCEMENT OF MINIMUM ENERGY EFFICIENCY STANDARDS IN ALL SECTORS (E.G. AUTOMOBILES, BUILDING INSULATION AND APPLIANCES)

- INCREASED INVESTMENT IN ENERGY SAVING EQUIPMENT AND TECHNIQUES?

(B) WOULD IT NOT BE POSSIBLE TO SUBSTANTIALLY REDUCE THE USE OF OIL AS A PRIMARY ENERGY SOURCE BY REDUCING PERMANENTLY AND ULTIMATELY ELIMINATING THE USE OF OIL, AND ESPECIALLY HEAVY FUEL OIL, IN ELECTRICITY GENERATION, SPACE HEATING, INDUSTRY AND OTHER SECTORS, PARTICULARLY IN EUROPE AND JAPAN (PACIFIC) WHERE SUCH USES ARE PROPORTIONATELY GREATER THAN IN NORTH AMERICA, BUT ALSO

IN NORTH AMERICA? COULD THIS NOT BE ACCOMPLISHED BY
RESTRICTING THE CONSTRUCTION OF NEW OIL AND GAS FIRED
GENERATING CAPACITY, ENCOURAGING THE CONVERSION OF

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EXISTING CAPACITY, ENCOURAGING THE CONVERSION OF
EXISTING CAPACITY, RESTRICTING THE USE OF HEAVY FUEL OIL
AND PROMPT GOVERNMENT ACTION TO RESOLVE THE ENVIRON-
MENTAL AND OTHER IMPLICATIONS OF COAL BURNING AND NUCLEAR
POWER? WOULD IT NOT ALSO BE NECESSARY TO ENCOURAGE THE
OIL REFINING AND ELECTRICITY GENERATING INDUSTRIES TO
MAKE THE STRUCTURAL ADJUSTMENTS REQUIRED BY THE
CONSEQUENT REDUCTION IN THE USE OF HEAVY FUEL OIL?

(C) WOULD THIS NOT REQUIRE THE REPLACEMENT OF HEAVY
FUEL OIL IN THESE USES BY COAL OR NUCLEAR, AND COULD
THIS NOT BE FACILITATED BY:

(I) ACTIVE ENCOURAGEMENT OF COAL PRODUCTION,
PARTICULARLY IN NORTH AMERICA, AND PROMOTION OF AN
EXPANDED AND RELIABLE INTERNATIONAL TRADE OF (STEAM)
COAL? AMONG THE AREAS IN WHICH QUESTIONS WOULD HAVE TO
BE ADDRESSED ARE

- PROMPT GOVERNMENT ACTION TO RESOLVE
ENVIRONMENTAL AND OTHER IMPLICATIONS OF COAL MINING AND

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TRANSPORTATION;

- FURTHER DEVELOPMENT OF COAL POLICIES IN EUROPE AND JAPAN SO AS TO EXPAND (STEAM) COAL IMPORT MARKETS BEYOND THE CAPACITIES OF THEIR INDIGENOUS COAL PRODUCTION;

- FURTHER DEVELOPMENT OF COAL POLICIES SO AS TO PROVIDE GREATER SECURITY OF COAL EXPORTS;

- ENCOURAGEMENT OF THE PROVISION OF NECESSARY INFRASTRUCTURES.

(II) STABILIZATION OF THE LONG-TERM SUPPLY, SUBJECT TO APPROPRIATE INTERNATIONAL SAFEGUARDS, OF KEY NUCLEAR POWER CAPACITIES NOT READILY AVAILABLE IN ALL REGIONS. COULD THIS NOT BE FACILITATED BY ENSURING THAT CONTROLS ON EXPORTS OR IMPORTS OF URANIUM, ENRICHED URANIUM OR FACILITIES (OR TECHNOLOGIES) FOR URANIMUM ENRICHMENT OR NUCLEAR FUEL RE-PROCESSING DO NOT RESTRICT THE SUPPLY OF SUCH RESOURCES TO, OR THE USE OF SUCH FACILITIES (OR TECHNOLOGIES) BY OR FOR, OTHER IEA COUNTRIES?

(D) WOULD IT NOT FACILITATE THESE CHANGES IF AN INVESTMENT CLIMATE WERE ESTABLISHED, PARTICULARLY IN THOSE COUNTRIES WITH SUBSTANTIAL RESOURCE POSSIBILITIES, WHICH ENCOURAGES THE INVESTMENT OF PRIVATE CAPITAL TO DEVELOP ENERGY RESOURCES BY REMOVING UNCERTAINTIES ABOUT THE GENERAL DIRECTIONS OF ENERGY AND OTHER POLICIES, IMPROVING THE SPEED AND EFFICIENCY OF ADMINISTRATIVE PROCESSES FOR RECONCILING COMPETING INTERESTS AND PROVIDING GOVERNMENT INCENTIVES WHERE NECESSARY, IN ORDER TO:

- ENCOURAGE OPTIMUM EXPLOITATION OF AVAILABLE CAPACITIES
- STEP UP EXPLORATION ACTIVITY IN GEOLOGICALLY PROMISING REGIONS?

6. WOULD IT NOT BE ADVISABLE FOR THE GOVERNING BOARD TO AGREE THAT MEMBER COUNTRIES SHOULD BE PREPARED TO INCLUDE IN THEIR NATIONAL ENERGY PROGRAMS THE INDIVIDUAL RECOMMENDATIONS CONTAINED IN THE COUNTRY REPORTS PREPARED DURING THE SLT REVIEW (IEA/GB(77)13)?

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MENDATIONS CONTAINED IN THE COUNTRY REPORTS PREPARED DURING THE SLT REVIEW (IEA/GB(77)13)?

7. IS IT NOT ESSENTIAL FOR ENERGY POLICY PLANNING TO PROVIDE ALTERNATIVE MEANS, OTHER THAN INCREASED OIL CONSUMPTION, FOR MEETING NUCLEAR SHORTFALLS AND OTHER SITUATIONS?

TIONS WHICH MAY DEVELOP, IN ORDER TO PROTECT AGAINST THE MAJOR UNCERTAINTIES INHERENT IN FUTURE ENERGY DEVELOPMENTS, BOTH AS TO DEMAND AND AS TO SUPPLY?

8. WHAT SHOULD BE THE GROUP OBJECTIVE FOR TOTAL OIL IMPORT DEMAND (CONSUMPTION?) BY 1985, IN LIGHT OF THE SLT FINDINGS AS TO A POSSIBLE SUPPLY/DEMAND DISEQUILIBRIUM?

9. SHOULD THE POLICIES AND OBJECTIVES DESCRIBED ABOVE NOT BE USED AS STANDARDS FOR ASSESSING THE PERFORMANCE OF MEMBER COUNTRIES, AS PART OF THE IEA REVIEW PROCEDURES ALREADY APPROVED FOR CONTINUOUS MONITORING OF COUNTRY POLICIES AND ACHIEVEMENT?

10. ARE NOT MUCH STRONGER EFFORTS REQUIRED IN ENERGY RESEARCH AND DEVELOPMENT IN ORDER TO MEET ENERGY REQUIREMENTS AFTER 1985, AND SHOULD NOT SUCH EFFORTS BE DEVELOPED AND CONDUCTED IN A CO-ORDINATED MANNER? WILL EACH MEMBER COUNTRY BE PREPARED TO SUPPORT ITS APPROPRIATE

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SHARE OF ENERGY TECHNOLOGY DEVELOPMENT AND ADOPT POLICIES
WHICH FACILITATE THE TRANSITION OF VALUABLE NEW ENERGY

TECHNOLOGIES FROM THE RESEARCH AND DEVELOPMENT PHASE TO THE POINT OF UTILIZATION? COULD PROGRESS IN R&D NOT BE ACCELERATED IF EACH MEMBER COUNTRY, AS A MINIMUM (THE PRINCIPAL R&D AREAS REQUIRING EMPHASIS ARE LISTED IN ANNEX I):

(A) PROVIDED THE FULLEST POSSIBLE GOVERNMENT FINANCIAL SUPPORT FOR ENERGY RESEARCH AND DEVELOPMENT;

(B) INCREASED ITS PARTICIPATION IN INTERNATIONAL COLLABORATIVE PROJECTS TO EXTEND THE EFFECTIVENESS OF FUNDS AVAILABLE AND REFLECT THE REALITY OF ENERGY INTERDEPENDENCE;

(C) ENCOURAGED PRIVATE INVESTMENT IN ENERGY TECHNOLOGY DEVELOPMENT BY APPROPRIATE INCENTIVES;

(D) ADOPTED POLICIES WHICH PROMOTE AND ACCELERATE THE TRANSITION OF POTENTIALLY ECONOMIC NEW TECHNOLOGIES LIMITED OFFICIAL USE

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LL. WILL IT NOT BE NECESSARY, IN ORDER TO MINIMIZE UNCERTAINTIES ON THE SUPPLY SIDE, TO DEVELOP PRACTICAL POSSIBILITIES FOR ONGOING DISCUSSION WITH OIL PRODUCING COUNTRIES AS TO ALL ASPECTS OF THE LONG-TERM SUPPLIES OF OIL, AND WITH ALL DEVELOPING COUNTRIES AS TO ALL ASPECTS OF WORLD ENERGY SUPPLY AND DEMAND, PARTICULARLY OIL?

ANNEX I

THE PRINCIPAL R&D AREAS REQUIRING EMPHASIS ARE:

L. CONSERVATION TECHNOLOGIES

(A) IMPROVED INDUSTRIAL PROCESSES;

(B) MORE EFFICIENT TRANSPORT ENGINES AND VEHICLES;

(C) IMPROVED MEANS OF UTILIZING WASTE HEAT.

2. TRANSITION TECHNOLOGIES

(A) DIRECTLY SUBSTITUTABLE FUELS

(I) ENHANCED OIL RECOVERY, OIL SHALE, TAR SANDS

(II) MORE EFFECTIVE AND ENVIRONMENTALLY ACCEPTABLE MEANS OF COAL COMBUSTION

(III) PROCESS HEAT FROM COAL (DIRECTLY OR THROUGH CONVERSION TO GAS)

(IV) IMPROVED PERFORMANCE OF NUCLEAR CONVERTOR REACTORS AND DEVELOPMENT OF SOLUTIONS TO FUEL CYCLE ISSUES

(V) DEVELOPMENT OF COAL DERIVED LIQUID AND GASEOUS FUELS.

(B) EARLY USE OF RENEWABLE RESOURCES

- (I) SOLAR HEATING
- (II) DEVELOPMENT OF GEOTHERMAL ENERGY
- (III) USE OF BIOMASS FOR ENERGY PRODUCTION.

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3. DEVELOPMENT OF BROADLY APPLICABLE RENEWABLE RESOURCES

- (A) NUCLEAR BREEDER;
 - (B) LARGE SCALE DIRECT AND INDIRECT SOLAR ENERGY
- USES;
- (C) FUSION. END TEXT
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